

M-SQUARE

Investment Proposal-Multipurpose SEZ



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1. Executive Summary

Proposal: Multi-purpose SEZ

Area: Pune

Size: 250acres to 400acres.

Status: Procured/Acquired

Estimated Investment: €1 billion to €1.5 billion

Finance Stage: Mezzanine or Intermediate or Equity.

Developer: ISO 9000 certified with 25 yrs of market experience.

2. Project Background

What is a Special Economic Zone (SEZ)?

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.

This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

To instil confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the establishment of SEZs, a comprehensive draft SEZ Bill prepared after extensive discussions with the stakeholders. The main objectives of the SEZ are:

- (a) generation of additional economic activity
- (b) promotion of exports of goods and services;
- (c) promotion of investment from domestic and foreign sources;
- (d) creation of employment opportunities;
- (e) development of infrastructure facilities;

It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

The SEZ is a headache free investment for any foreign investor as the SEZ Rules provide for:

- " Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self certification

SEZs are meant to invite foreign investors and therefore the government has granted special benefits to the SEZ investors. The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units upto US \$ 500 million in a year without any maturity restriction through recognized banking channels.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single window clearance for Central and State level approvals.
- Exemption from State sales tax and other levies as extended by the respective State Governments.

The major incentives and facilities available to SEZ developers include:-

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.
- Exemption from dividend distribution tax under Section 115O of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

3. Proposed Investment SEZ

It is located in Pune city area of India. It is approximately 250 acres but is extending to 400 acres. It is a multi-purpose SEZ where any economic activity except production is permitted. It is well connected as it is close to existing as well as Greenfield Pune airports (approx. 20kms from each). It is also based next to excellent road and rail links. It is merely 3 hrs drive from Mumbai airport by the new six lane express highway. Similarly there are plenty Pune-Mumbai flights per day which are not more than 20 min. flights.

The SEZ is already active in the sense it has already attracted educational investment whereby a French IT gaming school and college campus is about to open in 2009. Other activities are also welcome i.e. KPOs, BPOs, Call Centres, R&D, Research, Computing, Back Offices etc. to name a few.

The success of any business moving to this SEZ is almost guaranteed considering the business environment of Pune and Mumbai. Pune has highest number of IT companies (212) in India. It is now being converted into an automobile hub as well. There are many big names from auto industry including Volkswagen, Mercedes Benz, Tata, Bajaj, TVS-Lucas to name a few. Similarly many R&D businesses as well as Call centres are based in Pune. Along with all these praises Pune is already bestowed with 'Oxford of the East' honour as it has some of the best engineering, medical, IT and management colleges in India. All this not only guarantees safe, secure, well-cultured environment for a business but it also assures steady supply of well educated and highly skilled employees for any business.

4. Contact

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